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WEEKLY REPORT



THE SITUATION IN SOUTH VIETNAM

27 October 1965

INTELLIGENCE AND REPORTING SUBCOMMITTEE OF THE INTERAGENCY
VIETNAM COORDINATING COMMITTEE

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THE SITUATION IN SOUTH VIETNAM

(21 October - 27 October 1965)

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<p>(The Weekly Report on the Situation in South Vietnam is based on contributions from CIA, DIA, and INR; it is edited and published by CIA without final coordination.)</p>	

THE WEEK IN PERSPECTIVE

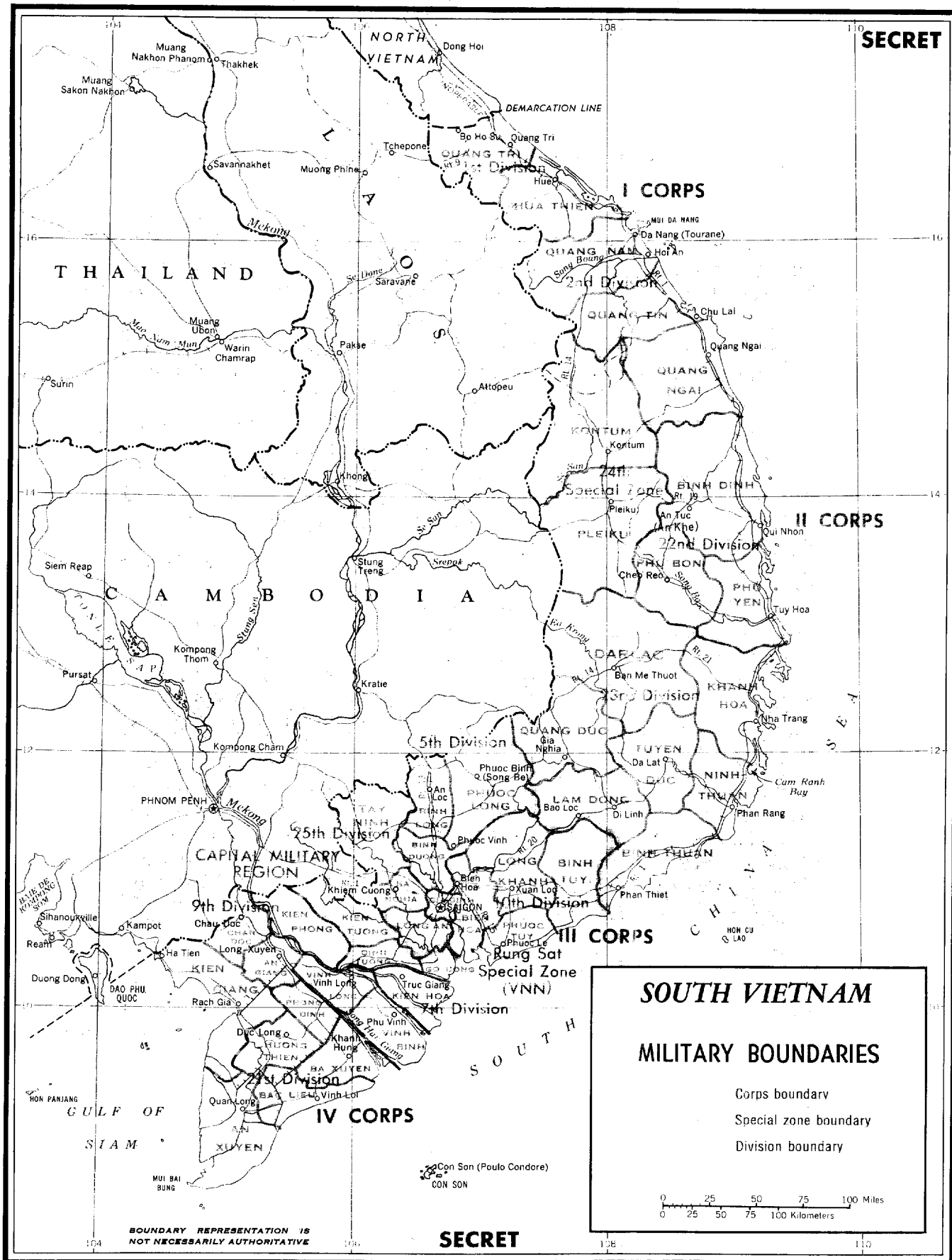
Viet Cong terrorist and military activity increased for the fourth consecutive week. The 811 incidents for the week ending 23 October were the highest this year and the most recorded in a seven-day period since mid-September 1964. The recent aggressiveness of the Viet Cong is highlighted by the week-long siege of the Special Forces camp at Plei Me in Pleiku Province but, in addition, there were several scattered attacks by battalion- and company-strength enemy forces. The II Corps Tactical Zone remained the most critical combat area. Enemy casualties continue to run high, however, and the balance of military success remained with government forces, as reflected in favorable kill and weapons-losses ratios.

The political situation continues outwardly calm, but signs of underlying restiveness persist. Low-level coup rumors are again being heard in Saigon, but they are not credited by observers as having any solid foundation. The government is concerned that popular discontent over rising prices and commodity shortages may be exploited politically by opponents of the regime.

Premier Ky is focusing his attention on the economic problems, and has announced that remedial steps are being taken. Ky has also debunked rumors that he might resign, taking the line that the more difficulties he encounters the longer he will stay in office to eliminate them.

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I. THE SITUATION IN SOUTH VIETNAM

A. POLITICAL SITUATION

1. Although the political situation in South Vietnam remains outwardly calm and uneventful, there continues to be an underlying malaise and restiveness that defies definition. Growing discontent over rising prices and commodity shortages is a factor in the picture, and this aspect perhaps more than any other at present is susceptible to exploitation by opponents of the Ky government.

2. Low-level coup rumors are recurrent in Saigon. Although these rumors are dismissed by Vietnamese officials and Western observers as lacking solid foundation, they deserve to point up a lack of political robustness in the present Saigon administration. However, the various segments of the Vietnamese community are still inclined more toward a wait-and-see posture than toward any definite positive or negative stand regarding the government.

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3. [REDACTED]

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[REDACTED] has offered several explanations for the recent spate of coup rumors. In part, he attributes them to Viet Cong efforts to sow dissension. The Vietnamese national police have reported recently that the Viet Cong political apparatus in Gia Dinh Province near Saigon has been instructed by the Liberation Front to study ways to exploit dissension among the ruling generals and among the various political parties and religious groups, in an effort to convince the people that the Saigon government is unstable. Viet Cong cadres of all echelons, [REDACTED], have been alerted to watch the situation for an opportune time to incite popular demonstrations. However, these instructions would seem to be standard operating procedures for the Viet Cong, and similar reports have been received from time to time during the past few years.

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4. [REDACTED] also feels that Premier Ky's recent illness--a bad cold--has contributed to the coup rumors. In addition, [REDACTED] believes that a measure of uncertainty has been generated among some

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civilian groups by General Nguyen Huu Co's dissatisfaction with the loss of his major military responsibilities as a result of his new assignment as deputy premier. In any event, [] seems confident that there is no person nor group strong enough at this point to attempt a coup.

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5. Premier Ky nevertheless appears perturbed by the ripples of discontent, and is alert to the danger that the rapidly rising cost of living may be exploited effectively by elements hostile to his regime. At a press conference in Saigon last week, Ky focused on the economic situation and stressed that the government was taking steps to relieve these problems (see Economic Situation, paras 7-13). Ky also used the press conference to debunk reports that he might resign in the face of mounting problems, taking the line that the "more difficulties there are, the longer I will stay until all difficulties are eliminated."

6. The Ky government, meanwhile, is backing off from its project to form an advisory council in the near future. Instead, the government intends to convene meetings of provincial and prefectural council representatives on an irregular basis and with carefully prescribed agendas. The government also hopes to form an economic and social council as provided for in its charter of 19 June. Directorate members candidly admit that these steps are part of a cautious effort to engage political "out elements" in the responsibility of government while at the same time not affording critics any forum for attacking the administration.

Economic Situation

7. The US Embassy reports that concern over economic problems, particularly the threatening inflation, is currently overshadowing political developments in South Vietnam. This was reflected in Premier Ky's discussion with the press on 22 October, during which he concentrated on the country's economic difficulties.

8. As a measure of past inflation, USOM's general retail price index was about 30 percent higher this month than a year ago, with most of

the increase concentrated in the period since the end of April. Last week the price picture was mixed, with some commodities showing sharp increases and others, mainly imported commodities, falling in response to two government actions. In the first of these, the government rescinded most of the import duties announced on 24 September. This led to price declines in the affected commodities and may have a favorable psychological impact. However, the loss in government revenue will have an unfavorable effect on inflationary pressure since the major causes of inflation have been the fiscal deficit and accompanying increase in the money supply.

9. The second government action was the announcement on 11 October that the GVN would make \$25 million of foreign exchange available for imports during the fourth quarter. Probably associated with this action was the fall in the price of US dollars during the week. On 20 October, one US dollar went for VN \$158/161, compared with VN \$172/175 on 15 October, although the present rate is still somewhat higher than the 11 October rate of VN \$154/157.

10. Retail prices of rice fell slightly during the week, and wholesale prices held steady although stocks continued to decline. While there is still concern over a possible tight stock situation in November and over the unfavorable crop prospects for next year, it is notable that rice prices since June have been an element of stability in the total commodity price picture. This is largely due to the massive rice imports, mostly PL-480 shipments.

11. In his talk with the press on 22 October, Premier Ky blamed "foes and friends alike" for "sabotaging the government in the economic field after failing to do so in the military and political field." Ky also said he might "convoke" leading Chinese merchants to warn them about price rises and hoarding. As a possible concrete measure, he mentioned that the GVN was considering instituting rationing of essential foodstuffs in Saigon. This would be a dubious step, however, especially in view of the serious administrative problems that would accompany such a program.

12. There also has been a report that Minister of Economy and Finance Ton may be relieved and replaced by former prime minister Nguyen Ngoc Tho. However, in his latest talk with a US Embassy officer, Ton expressed guarded optimism that he had weathered the storm for the moment although it is clear that he is faced with mounting pressures. His replacement would be another example of a tendency to look for scapegoats rather than to cope with the essential problem.

13. In the meantime, inflation and commodity shortages will probably continue to be a serious problem in South Vietnam. Inflation has been widely blamed on spending by US forces and it provides a convenient political weapon to opponents of the Ky administration.

B. MILITARY SITUATION

1. For the fourth straight week, the number of Viet Cong - initiated incidents increased. The total of 811 is the highest this year--last year's high was 975 during the period 12-19 September. There were 11 attacks, including four of battalion or larger size, compared to four small-scale attacks during the period 9-16 October. Of all incidents, about 30 percent occurred in IV Corps; I and II Corps each had about 23 percent, and 20 percent occurred in III Corps. Incidents in the Capital Military Region declined from 34 to 22.

VIET CONG - INITIATED ACTIVITIES

2. In I Corps, an estimated three Viet Cong battalions launched an attack against a GVN outpost in Quang Tri Province on 20 October. This was the first major effort on the part of the Viet Cong to eject GVN forces that had occupied the Ba Long Valley 20 kilometers southwest of Quang Tri city in mid-August, following a B-52 Stratofortress raid on this Viet Cong base area. In Quang Tri Province, also on 20 October, an estimated two Viet Cong companies attacked a Regional Force bivouac. Other activity in I Corps was limited to harassment, sabotage, and terrorism.

3. On 20 October in II Corps the Viet Cong launched a multibattalion attack on the Plei Me Special Forces Camp in Pleiku Province (see para 6). In Binh Dinh Province, the Viet Cong again avoided contact with friendly forces. Since this is the peak period of the rice harvesting season in this region, it is likely that the Viet Cong are devoting a great deal of effort to protecting this crop.

4. In III Corps, Viet Cong activity was limited to harassment, mining, and antiaircraft fire. The absence of large-scale operations indicates that the Viet Cong are still concentrating on training, recruiting, and re-equipping their forces. Recent friendly actions probably have kept the Viet Cong off balance, and the capture of sizable quantities of supplies will have at least a temporary disruptive effect on the Viet Cong logistical system in parts of

the area. During a search-and-destroy operation approximately 50 nautical miles west of Saigon in Kien Tuong Province, GVN forces uncovered a hand-grenade factory on 27 October. Included in the cache were 20,000 grenades, 2,000 mines, 3,000 detonators, 900 kg TNT, and three weapons; three Viet Cong were captured.

5. In IV Corps, the Viet Cong conducted three attacks against lightly defended Regional and Popular Forces installations. Throughout the area, the Viet Cong continued harassment, sabotage, antiaircraft fire, and terrorism.

GVN/ALLIED ACTIVITIES

6. The II Corps Tactical Zone remained the most critical combat area this week as large GVN forces maintained the initiative along the coast and a multibattalion Viet Cong force in the west-central highlands attacked the isolated Plei Me CIDG outpost in Pleiku Province. The camp was defended by four CIDG companies, reinforced on 21 October by two GVN Special Forces ranger airborne companies. On the 23rd, a three battalion GVN relief force was heavily engaged 12 kilometers north of the camp. The Viet Cong maintained pressure on the camp for seven days despite being hit with round-the-clock tactical air support strikes and numerous armed helicopter sorties. It is probable that elements of a North Vietnamese (PAVN) regiment, which had infiltrated into South Vietnam during the past two months, were involved in the battle. Cumulative Viet Cong losses are an estimated 458 KIA (158 confirmed by body count). Friendly losses were 80 killed (12 US) and 165 wounded (9 US).

7. On 22 October during a road-clearing operation in Quang Duc Province, an attempted ambush was turned into a GVN victory. Friendly losses were two killed, including the province chief, and seven wounded but about 100 Viet Cong were killed. Another engagement in Phu Yen Province between a GVN battalion and an estimated Viet Cong battalion resulted in an estimated 200 Viet Cong killed; GVN losses were five killed and 19 wounded. On 26 October in Phu Yen Province, two GVN battalions assisted by tactical air support intercepted a Viet

Cong force that had unsuccessfully attacked a bridge defended by a Regional Force company. Casualty reports confirmed 148 and estimated an additional 400 Viet Cong killed. Viet Cong losses in these actions were attributed mainly to highly responsive and effective close air support. While the exceptionally high Viet Cong casualties in Phu Yen Province have not been confirmed by body count, it seems clear that the Viet Cong in this province have been dealt a serious setback.

8. In the IV Corps area, GVN forces continued to counter Viet Cong attempts to utilize the infiltration routes between Kien Hoa and Tay Ninh provinces. Allied forces went on with clearing operations in their respective areas, but no significant contact was made with enemy forces. The first regimental combat team of the ROK Tiger Division arrived at Qui Nhon on 22 October and began occupation of its assigned area near Binh Khe.

9. National Route 1 is closed in Quang Ngai, Binh Dinh, Ninh Thuan, Binh Thuan, and Binh Tuy provinces. Route 9 is closed in Quang Tri Province. In Pleiku Province, Route 19 is closed. Route 14 is closed in Kontum, Pleiku, Quang Duc, Phuoc Long, and Binh Long provinces. In Phu Bon and Phu Yen provinces, Route 7 is closed. Route 15 is closed in Bien Hoa Province. Closed interprovincial routes include: Number 1 in Binh Duong and Phuoc Long provinces, and Number 8 in Kien Giang Province. Provincial Route 10 is closed in Hau Nghia Province. The national railroad is operating between Song Luy, Binh Thuan Province, and Ninh Hoa, Khanh Hoa Province; between Dalat, Tuyen Duc Province, and Phan Rang, Ninh Thuan Province; and between Da Nang, Quang Nam Province, and Hue, Thua Thien Province.

C. RURAL CONSTRUCTION

1. Minister of Rural Construction General Nguyen Duc Thang recently disclosed to General Lansdale that the National Leadership Council would be asked to abolish the present Ministry of Rural Construction and consolidate it into the Ministry of the Interior as a secretariat. Thang hinted that he might be appointed to head the Interior Ministry.

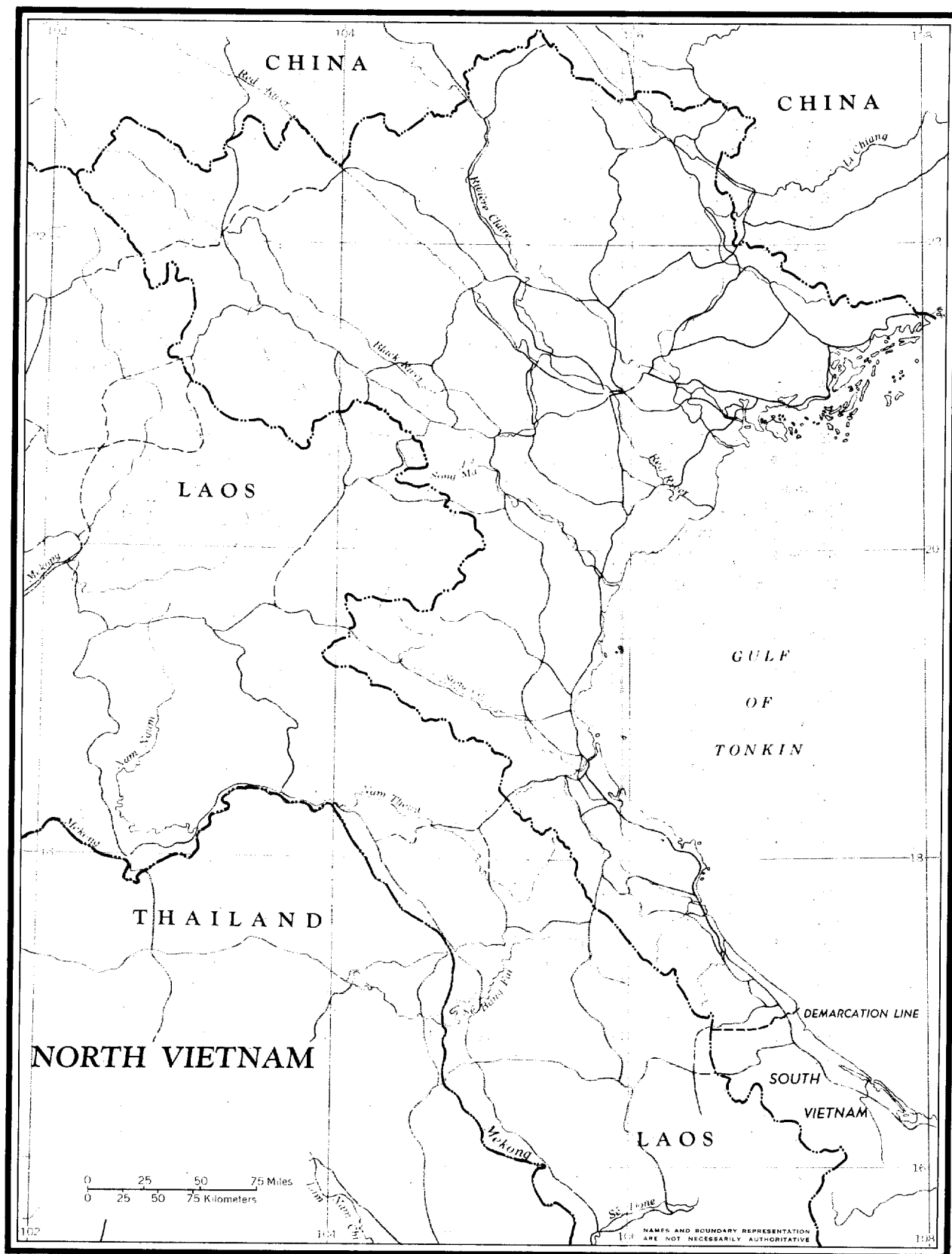
2. The change in the organization of the rural construction effort reportedly is opposed by Premier Ky and Chief of State Thieu, but Deputy Premier General Co, who is also minister of war and reconstruction, is backing it strongly. General Co would become coordinator of military and civilian programs associated with pacification under this proposed reorganization, and rural construction would be firmly in the civilian chain of command running through province and district chiefs. Rural construction cadres and political action teams would probably come under the Ministry of the Interior along with the police. Another significant change would transform the Ministry of Psychological Warfare into the Ministry of Information and Chieu Hoi.

3. USOM reports that rural construction funds budgeted for the year 1965 probably will not be expended by the end of the year. Overall, it appears that no more than one quarter of the total funds will be expended; in some areas, notably public works and construction-type activities, probably no more than five percent of the available funds will be spent. Officials of the Ministry of Rural Construction, representatives of other interested ministries, and USOM officials cite as reasons for the lack of progress in the construction portion of the program a) absence of local security, b) shortages of construction materials and technical personnel, c) unrealistic price restrictions, d) competition from US military construction (presumably for manpower and materials), and e) cartels formed in certain provinces by contractors who portion out the work among themselves and circumvent competitive bidding practices.

4. An increase of 17,000 was recorded in refugee numbers during the week ending 19 October, bringing the total to date to 697,000.

5. The number of Chieu Hoi returnees dropped sharply during the past week, according to figures provided by GVN officials. Only 179 returnees of all categories were recorded, compared with the 934 who had returned to government control the previous week. Of the 179, 65 were military returnees, six political cadres, and 108 civilians, as opposed to 283, 90, and 934 in these respective categories the previous week.

6. USOM reports that they are closely watching three provinces (Phuoc Long, Vinh Binh, and Bac Lieu) where prevailing conditions are described as possibly similar to those leading up to the withdrawal of the USOM team from Binh Tuy Province in September. In the latter case, the province chief threatened the lives of the USOM team after they had made investigations into alleged corrupt practices on his part. USOM hopes to prevent a recurrence of the Binh Tuy episode, and therefore has ordered evaluations on the effectiveness of all province chiefs from their provincial representatives.



II. DEVELOPMENTS IN THE BLOC

1. There are indications that the MIG force in North Vietnam is possibly being augmented and that at least four more of the MIGs that have been at Phuc Yen Airfield have been deployed to Kep Airfield. During the week, one additional high-altitude photo-drone was destroyed by SAM fire in the Haiphong area. A second drone failed to return from a mission over the DRV and is also presumed to have been destroyed by a surface-to-air missile. To date, four drones have been lost to missile fire. Photography of SAM site 32, near Phu Lang Thuong, showed both occupancy and operational status on 21 October, but when a strike on the site was executed, pilots found that it had been evacuated. Antiaircraft artillery had remained, however, and accounted for the loss of one of the attacking aircraft. The continued arrival of Soviet- and Chinese-made trucks in North Vietnam is contributing to Hanoi's ability to maintain a slow but steady flow of goods and materials to the south and southwest. The tonnage being transported, its destination, and its planned use cannot be determined, but by a combination of porters, trucks, and inland waterways, the North Vietnamese keep essential goods moving south--including materials destined for guerrilla forces in Laos and South Vietnam.

2. The North Vietnamese moved carefully this week in order to avoid becoming embroiled in the Sino-Soviet controversy. At the World Federation of Trade Unions' (WFTU) congress recently concluded in Warsaw, the DRV attempted to stay in the middle as the Chinese and Soviet delegates attacked each other on the issue of peaceful coexistence and on several procedural questions that each considered important to its position. Hoang Quoc Viet, head of the DRV delegation, confined his major address to the situation in Vietnam. He reiterated Hanoi's standard line on a settlement of the war, gave balanced praise for the support rendered by both the Chinese and Soviets, and called upon the congress to adopt resolutions supporting the Vietnamese people. Hoang left to the second ranking member of his delegation, Nguyen Minh, the attempt to bridge the ideological gap that had split the congress. Minh, in a short speech several days after the major

Soviet and Chinese address, called upon the WFTU to "support the policy of coexistence of socialist countries, not treating it, however, as the only possible way to fight for peace." The Vietnamese abstained from voting on these issues on which the Chinese and Soviets were at odds.

3. Fear of being committed to one side or the other in the rift may also have prompted the Vietnamese to call for a postponement of the upcoming Afro-Asian conference in Algiers. DRV Foreign Minister Nguyen Duy Trinh informed his Algerian counterpart on 23 October that the DRV, "sharing the views of many Asian and African countries," deemed it necessary to postpone the conference. A crucial issue in the preparations for the conference has been whether or not the Soviet Union may be officially represented at Algiers. The Chinese have bitterly fought any move to invite the Soviets, and the Vietnamese would find themselves in a difficult position should they be required to vote on Soviet representation. An additional reason for the DRV's call for postponement may be the recently announced Chinese decision not to attend the conference if it is held as scheduled. With Chinese influence absent from Algiers, the possibility of the passage of a moderate resolution on the Vietnam issue would be greatly improved. Hanoi has been increasingly concerned that such a resolution would crop up at this or a similar conference. Indeed, this concern probably prompted regime officials earlier in the month to urge representatives to the OAU Conference in Accra to avoid discussing the Vietnam question altogether.

III. THIRD COUNTRY DEVELOPMENTS

A. AFRO-ASIAN CONFERENCE

Foreign Minister Tran Van Do informed Ambassador Porter on 25 October that the GVN plans to cable Algerian Foreign Minister Bouteflika affirming Saigon's right to participate in the Afro-Asian conference scheduled to begin in Algiers on 5 November. A foreign minister's meeting on 28 October precedes the conference. The GVN also intends to send instructions to its representatives in the various Afro-Asian countries whose foreign ministers are likely to attend the meeting, requesting that these countries argue for the admission of the South Vietnamese delegation.

B. CAMBODIA

Foreign Minister Do told Ambassador Porter that he had called in the Japanese ambassador and asked him to transmit a verbal statement to the Cambodian Government accepting GVN responsibility for the 15 October incident in which a Cambodian border village was bombed. The statement also offers to consider compensation. Do stated that he had handled the matter in this manner because the GVN had never received an official protest from the Cambodians.

C. AMBASSADORIAL APPOINTMENTS

1. The appointment of Vu Van Thai as the GVN ambassador to the US is still not officially approved and the letters of credence have not yet been signed. The State Department has learned that Thai has been informed that Ambassador Tran Thien Khiem is not planning to leave his post until after January, which has resulted in Thai giving serious consideration to resuming his job at the United Nations. With Khiem slated to become ambassador to Taiwan, he reportedly has investments in the US that he must liquidate.

2. In the meantime, Foreign Minister Do has informed the US Embassy that he would attempt to get final approval on the Thai and Khiem appointments. He added that he is also awaiting a definitive decision from the Military Directorate on the appointment of Pham Dang Lam to Manila.

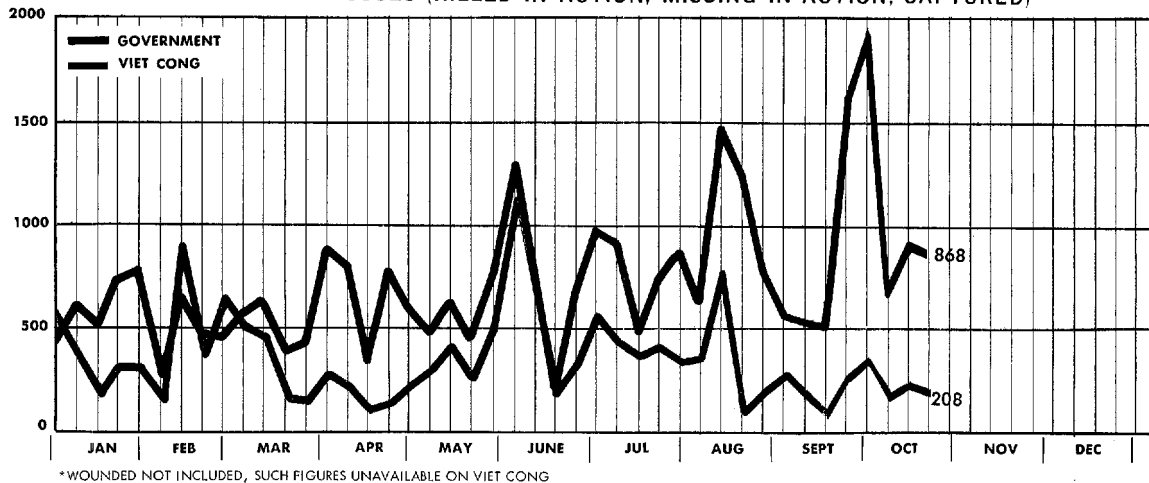
SOUTH VIETNAM BATTLE STATISTICS, 1965

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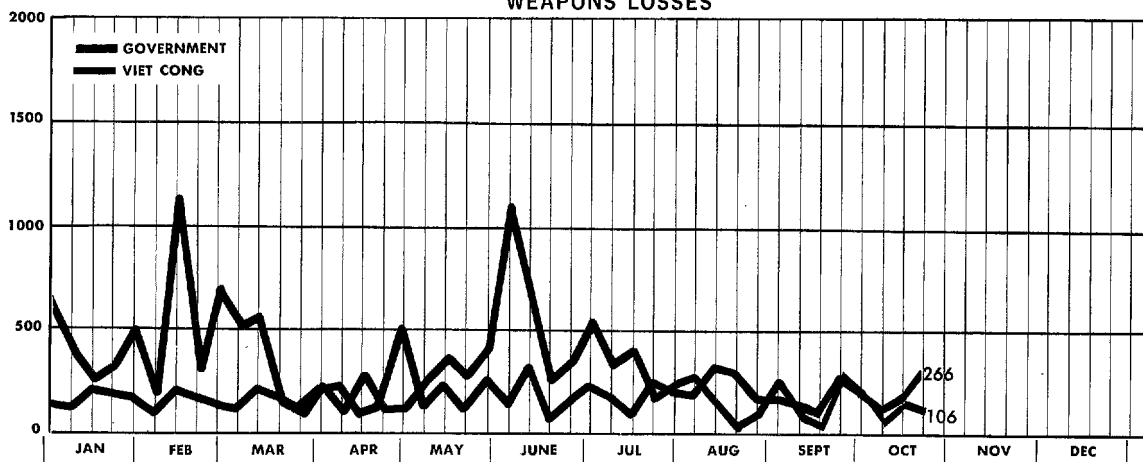
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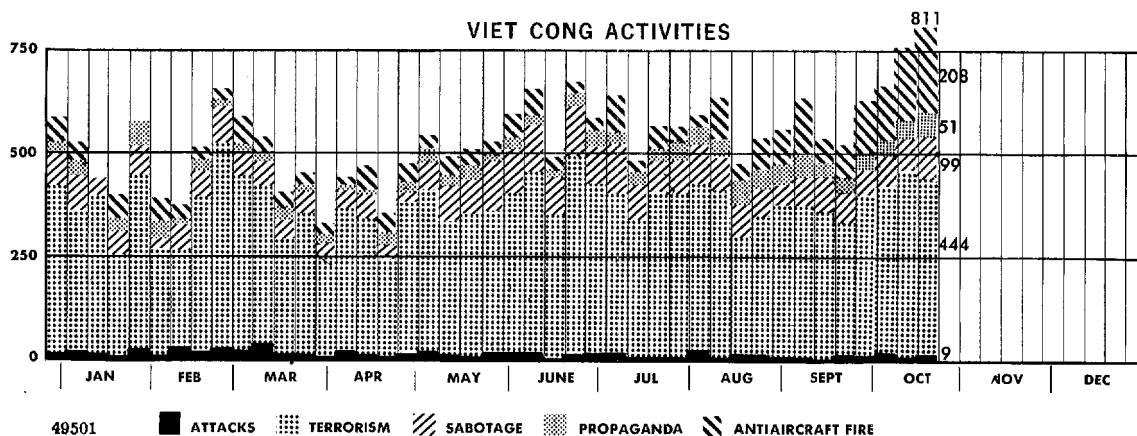
PERSONNEL LOSSES (KILLED IN ACTION, MISSING IN ACTION, CAPTURED)



WEAPONS LOSSES



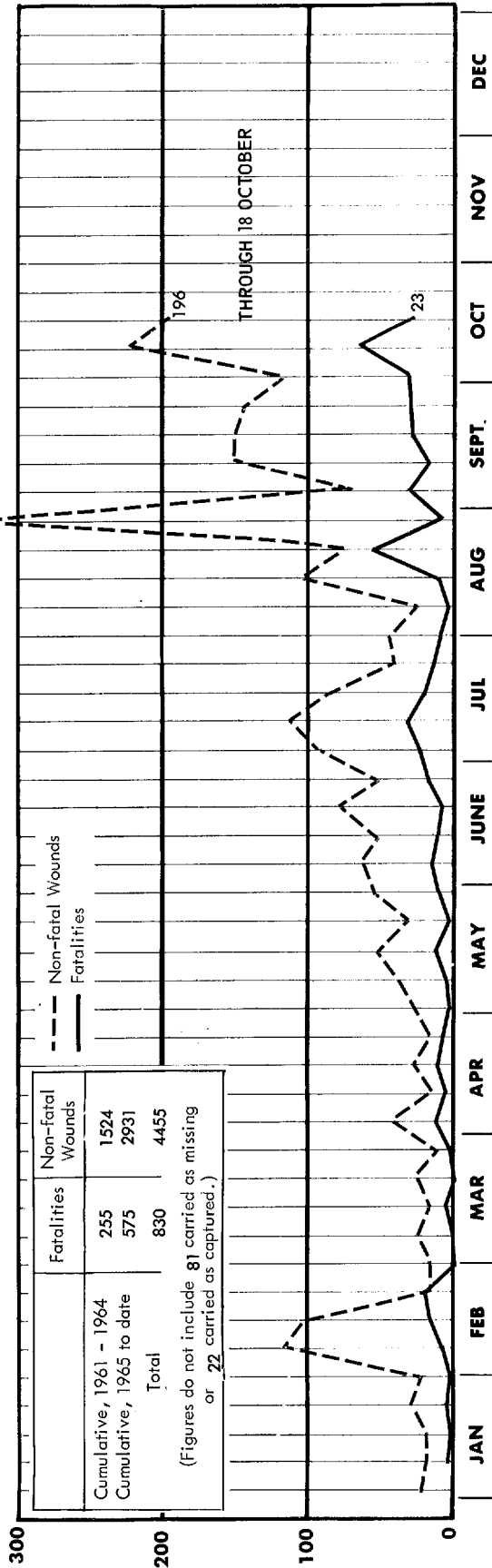
VIET CONG ACTIVITIES



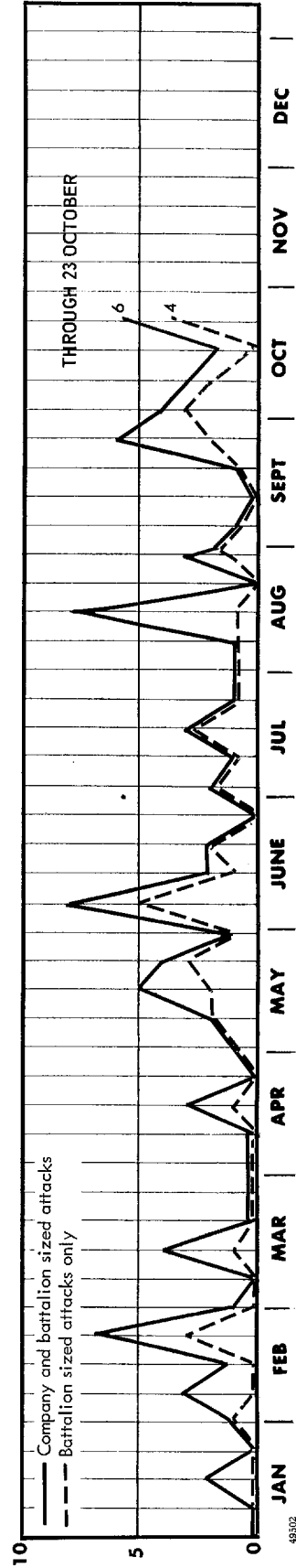
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US COMBAT CASUALTIES IN VIETNAM INCLUDING NORTH VIETNAM

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VIET CONG ATTACKS



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